

# HOUSE BILL No. 1895

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-13-9-10.

**Synopsis:** Investment of public funds in St. Joseph County. Allows political subdivisions in St. Joseph County to form a joint investment fund for the investment of public funds. Requires approval of the local board of finance and the legislative body of the political subdivision before the political subdivision may participate. Requires the board of the joint investment fund to establish written guidelines for the investment of public funds based upon trust investments and the Uniform Prudent Investor Act. Requires annual audits and daily and monthly reports for each political subdivision.

**Effective:** July 1, 2003.

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**Dvorak**

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January 23, 2003, read first time and referred to Committee on Financial Institutions.

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First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

## HOUSE BILL No. 1895

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A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 5-13-9-10 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2003]: **Sec. 10. (a) This section applies in a county having a**  
4 **population of more than two hundred thousand (200,000) but less**  
5 **than three hundred thousand (300,000).**

6       **(b) Each officer of a political subdivision located within the**  
7 **county who is designated in section 1 of this chapter may pay funds**  
8 **that are held by the officer and available for investment into a joint**  
9 **fund known as a joint investment fund. The fund is administered**  
10 **by a board comprised of the investing officer of each of the**  
11 **participating political subdivisions and is an instrumentality of the**  
12 **participating political subdivisions.**

13       **(c) A joint investment fund must be invested and reinvested as**  
14 **a separate and individual fund.**

15       **(d) A joint investment fund is established by a written master**  
16 **agreement that defines the rights and obligations of the**  
17 **participating political subdivisions. The written master agreement**



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1 must provide the following:

2 (1) A political subdivision may participate in the joint  
3 investment fund only with the written authorization of its  
4 local board of finance.

5 (2) A political subdivision may participate in the joint  
6 investment fund only if its legislative body approves the  
7 written master agreement.

8 (3) The board of the joint investment fund shall establish  
9 written policies for the investment and reinvestment of joint  
10 investment funds in the manner provided by IC 30-4-3-3.

11 (4) The fund shall be invested and reinvested as prescribed in  
12 subdivision (3).

13 (5) A custodian bank or trust company located in Indiana  
14 must:

15 (A) be selected and contracted by the board of the joint  
16 investment fund to hold the securities and other  
17 investments of the joint investment fund;

18 (B) collect the income and other receipts from the  
19 securities and other investments; and

20 (C) provide any other services appropriate and customary  
21 for a custodian;

22 subject to the direction of the board of the joint investment  
23 fund.

24 (6) The board of the joint investment fund may select and  
25 contract with a fund administrator to provide investment  
26 advice to the board and any other services determined by the  
27 board to be appropriate and necessary for the efficient  
28 administration and accounting of the joint investment fund.  
29 The fund administrator shall agree to recommend only  
30 securities and other investments as prescribed in the written  
31 policies established by the board in rendering investment  
32 advice to the board and shall agree to be responsible,  
33 accountable, and liable for any breach of this provision. The  
34 fund administrator must have experience in the investment of  
35 public funds for governmental entities and must be either of  
36 the following:

37 (A) A financial institution located in Indiana.

38 (B) Registered as an investment adviser with the United  
39 States Securities and Exchange Commission under the  
40 Investment Advisors Act of 1940, as amended (15 U.S.C.  
41 80a-9 et seq.), with public funds under management in the  
42 amount of at least one hundred million dollars

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2           (7) A joint investment fund must be audited at least annually  
3           by an independent auditing firm, with a copy of the audit  
4           provided to each participating political subdivision.  
5           (8) The administrative expenses of the joint investment fund,  
6           including fees for the fund administrator, custodian, auditor,  
7           and other professional services, must be paid from the fund's  
8           interest earnings.  
9           (9) The interest earnings that exceed the administrative  
10          expenses of the joint investment fund must be credited to each  
11          political subdivision participating in the joint investment fund  
12          in a manner that equitably reflects the differing amounts and  
13          terms of the political subdivision's investment in the joint  
14          investment fund.  
15          (10) Each participating political subdivision shall receive  
16          reports, including a daily transaction confirmation reflecting  
17          any activity in the political subdivision's account and monthly  
18          reports reflecting its investment activity in the joint  
19          investment fund and the performance and composition of the  
20          joint investment fund itself.  
21          (11) The board of the joint investment fund shall meet at least  
22          annually to review the operation and performance of the joint  
23          investment fund, the custodian, the fund administrator, the  
24          auditor, and any other professional retained by the board.  
25          (12) The board of the joint investment fund shall provide for  
26          any other policies that are necessary for the efficient  
27          administration and accounting of the joint investment fund  
28          and are consistent with the law governing the investment,  
29          management, deposit, and safekeeping of public funds of  
30          political subdivisions.

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